

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

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1969

Financial Statements

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On pourra se procurer le texte français de ce rapport en s'adressant
au secrétariat de la Compagnie, case postale 6090, Montréal 101, Canada.

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

year ending 31 December 1969

	in millions of Canadian dollars	
	1969*	1968*
Working capital — beginning of year	<u>\$241.1</u>	<u>\$330.3</u>
SOURCE OF FUNDS		
Net income	66.3	59.7
Depreciation and depletion	66.3	63.2
Deferred income taxes	(.8)	(1.2)
Cash generation from operations	<u>131.8</u>	<u>121.7</u>
New debt	30.6	11.4
Capital contributions to Alcan Aluminum Corporation (note 6)	19.0	18.3
Other	<u>13.2</u>	<u>4.0</u>
	<u>194.6</u>	<u>155.4</u>
APPLICATION OF FUNDS		
Plant, equipment and investments	92.5	60.3
Debt repayments	35.1	100.6
Advances to affiliates and parent	1.2	16.0
Redemption of preferred shares (par value)	2.3	3.3
Preferred dividends	2.3	2.4
Common dividends	<u>42.0</u>	<u>62.0</u>
	<u>175.4</u>	<u>244.6</u>
Increase (decrease) in working capital	<u>19.2</u>	<u>(89.2)</u>
	<u>194.6</u>	<u>155.4</u>
Working capital — end of year	<u>\$260.3</u>	<u>\$241.1</u>

*Includes accounts of Alcan Aluminum Corporation (see note 1).

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

year ending 31 December 1969

	in Canadian dollars	
	1969*	1968*
REVENUES		
Sales	\$891,942,919	\$678,332,008
Operating revenues	65,087,392	64,390,412
Other income (note 9)	8,662,177	12,403,459
	<u>965,692,488</u>	<u>755,125,879</u>
COSTS AND EXPENSES		
Cost of sales and operating expenses	665,509,926	496,203,053
Depreciation and depletion (note 4)	66,265,995	63,251,486
Selling, research and administrative expenses	64,626,503	51,164,578
Interest on debt not maturing within one year	31,170,622	28,789,960
Other interest	5,524,602	2,906,524
Other expenses	2,310,427	1,270,932
	<u>835,408,075</u>	<u>643,586,533</u>
Income before income taxes	130,284,413	111,539,346
Income taxes		
Current	64,793,766	53,029,962
Deferred (note 4)	(781,287)	(1,199,535)
	<u>64,012,479</u>	<u>51,830,427</u>
NET INCOME	<u><u>\$ 66,271,934</u></u>	<u><u>\$ 59,708,919</u></u>

*Includes accounts of Alcan Aluminum Corporation (see note 1).

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET — ASSETS

31 December 1969

	in Canadian dollars	
	1969*	1968*
Current assets		
Cash	\$ 39,694,872	\$ 37,807,437
Time deposits	40,426,619	33,103,311
Receivables	109,581,903	83,201,148
Receivable from affiliated companies	59,389,060	65,963,057
Inventories of aluminum and other materials (note 2)	247,323,358	200,507,623
	<u>496,415,812</u>	<u>420,582,576</u>
Deferred receivables	7,757,626	12,249,540
Deferred charges	7,519,605	10,871,714
Advances to affiliated companies	10,550,000	16,040,582
Advances to parent company	6,674,713	—
Investments in companies not more than 50% owned, at cost	3,892,434	2,699,431
Property, plant and equipment, at cost (note 3)	1,803,838,263	1,717,507,433
Less: Accumulated depreciation and depletion (note 4)	<u>920,559,495</u>	<u>853,728,635</u>
	<u>883,278,768</u>	<u>863,778,798</u>
	<u><u>\$1,416,088,958</u></u>	<u><u>\$1,326,222,641</u></u>

*Includes accounts of Alcan Aluminum Corporation (see note 1).

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET — LIABILITIES

31 December 1969

	in Canadian dollars	
	1969*	1968*
Current liabilities		
Payables	\$ 84,589,387	\$ 68,451,799
Short-term bank borrowings	81,226,493	38,209,912
Payable to affiliated companies	2,266,760	1,847,196
Income and other taxes	33,890,413	40,060,126
Debt maturing within one year (note 5)	34,126,998	30,930,778
	<u>236,100,051</u>	<u>179,499,811</u>
Debt not maturing within one year (note 5)	529,347,127	533,866,874
Deferred income taxes (note 4)	137,507,507	138,382,992
Capital stock and retained earnings		
Cumulative redeemable sinking fund preferred shares (note 6)		
4% First preferred — par \$25		
Authorized — 600,000 shares		
Outstanding — 283,354 shares (1968 — 296,339)	7,083,850	7,408,475
4½% Second preferred — par \$50		
Authorized — 1,200,000 shares		
Outstanding — 867,029 shares (1968 — 907,434)	43,351,450	45,371,700
Common shares — without nominal or par value (note 6)		
Authorized — 10,000,000 shares		
Outstanding — 9,000,000 shares (1968 — 8,800,000)	196,000,000	100,000,000
Capital contributions to Alcan Aluminum Corporation (note 6)	—	76,999,893
Retained earnings (note 7)	266,698,973	244,692,896
	<u>513,134,273</u>	<u>474,472,964</u>
	<u>\$1,416,088,958</u>	<u>\$1,326,222,641</u>

*Includes accounts of Alcan Aluminum Corporation (see note 1).

Approved by the Board: PAUL H. LEMAN, Director

DANA T. BARTHOLOMEW, Director

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS — year ending 31 December 1969

	in Canadian dollars	
	1969*	1968*
RETAINED EARNINGS — beginning of year	\$244,692,896	\$249,364,320
Net income	66,271,934	59,708,919
	<u>310,964,830</u>	<u>309,073,239</u>
Dividends		
4% First preferred	287,825	302,890
4½% Second preferred	1,978,032	2,077,453
Common	42,000,000	62,000,000
	<u>44,265,857</u>	<u>64,380,343</u>
RETAINED EARNINGS — end of year (note 7)	<u>\$266,698,973</u>	<u>\$244,692,896</u>

*Includes accounts of Alcan Aluminum Corporation (see note 1). This had the effect of decreasing Consolidated Retained Earnings at 31 December 1968 by \$2,032,011 from that previously reported.

AUDITORS' REPORT

PRICE WATERHOUSE & Co.

5 PLACE VILLE MARIE, MONTREAL 113

To the Shareholders of Aluminum Company of Canada, Ltd

We have examined the consolidated balance sheet of Aluminum Company of Canada, Ltd and subsidiary companies as at 31 December 1969 and the consolidated statements of income, retained earnings, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at 31 December 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

Montreal, 10 February 1970

NOTES TO FINANCIAL STATEMENTS — in millions of Canadian dollars

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all its subsidiaries. All intercompany items and transactions, including profits in inventories, have been eliminated.

Accounts, other than Canadian currency accounts, included in the consolidated balance sheet are translated into Canadian dollars at rates of exchange current at 31 December 1969, except that (a) certain fixed bank deposits, inventories, investments, fixed assets and depreciation and depletion are at rates current at dates of acquisition, and (b) debts not maturing within one year are at rates current at dates of original borrowing. Accounts in the consolidated statement of income, except depreciation and depletion, are translated at average exchange rates prevailing during the year.

In December 1969, Alcan Aluminium Limited (parent of the Company) by an exchange of shares transferred to Aluminum Company of Canada, Ltd the ownership of Alcan Aluminum Corporation, a wholly-owned subsidiary company in the United States. This transfer was part of a rearrangement of the parent company's investments in certain subsidiary companies and recognizes the close connection of the operations in the United States and Canada. As the transfer represented the combination of companies controlled by the same parent company, the accounts of the United States subsidiary have been included in the accompanying consolidated financial statements (see note 6).

2. INVENTORIES OF ALUMINUM AND OTHER MATERIALS

Inventories, as summarized below, are stated at cost (determined for the most part on the monthly average method) or net realizable value, whichever is the lower.

	1969	1968
Aluminum	\$ 113.1	\$ 100.2
Raw materials	74.5	64.7
Other	59.7	35.6
	<u>\$ 247.3</u>	<u>\$ 200.5</u>

3. PROPERTY, PLANT AND EQUIPMENT

	1969	1968
Land and water rights	\$ 51.2	\$ 51.2
Mineral properties, rights and development	14.1	13.9
Buildings, machinery and equipment	1,661.7	1,608.6
	<u>1,727.0</u>	<u>1,673.7</u>
Construction work in progress	76.8	43.8
	<u>\$1,803.8</u>	<u>\$1,717.5</u>

Capital projects are expected to involve the expenditure of some \$75 million during 1970.

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

NOTES TO FINANCIAL STATEMENTS — in millions of Canadian dollars

4. DEPRECIATION POLICY AND DEFERRED INCOME TAXES

Depreciation, as recorded in the accounts, is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets. Depletion, not significant in amount, is calculated on the unit of production basis.

Income tax regulations in Canada, and in certain other countries, permit the use (for the purpose of determining income taxes) of various forms of capital cost allowances which do not coincide with the amount of depreciation recorded in the accounts. These allowances generally exceed straight-line depreciation during the early life of new assets and later fall short of it.

When capital cost allowances utilized for determining income taxes exceed straight-line depreciation, an amount equivalent to the resultant reduction in current income taxes is charged to income and credited to Deferred Income Taxes. When these allowances so utilized fall short of straight-line depreciation, resulting in higher income taxes than would otherwise be payable, an appropriate portion of the amount previously deferred is transferred back to income.

5. DEBT NOT MATURING WITHIN ONE YEAR

	<u>1969</u>	<u>1968</u>
Aluminum Company of Canada, Ltd		
Bank loans under U.S. \$160.0 million revolving credit agreement, due 1973/1977 (U.S. \$160.0 million)	\$171.5	\$171.5
3½ % Sinking fund debentures, due 1971	17.3	17.8
4½ % Sinking fund debentures, due 1973	22.2	22.3
4½ % Sinking fund debentures, due 1980 (U.S. \$63.6 million)	61.6	64.4
5.10 % Notes, due 1970/1992 (U.S. \$96.0 million)	93.7	95.6
3½ % Redeemable notes payable to the U.K. Government, due 1971 and 1974 (\$20.0 million to be repaid in 1970)	60.0	77.0
Other debt	22.9	21.8
Alcan Aluminum Corporation		
4¾ % Notes, due 1970/1984 (U.S. \$40.0 million)	43.0	43.0
Non-interest notes, due 1970/1975 (U.S. \$17.0 million)	18.3	21.4
Other debt	3.9	1.1
Alcan (Bermuda) Limited		
7½ % Notes, due 1971/1978 (Lire 12 billion)	20.6	10.3
Other companies		
Bank loans	10.8	10.8
Debt	17.1	7.0
	<u>562.9</u>	<u>564.0</u>
Less: Debt maturing within one year included in current liabilities (equivalent to \$34.1 million at year-end rates of exchange)	33.6	30.1
	<u>\$529.3</u>	<u>\$533.9</u>

After allowing for prepayments, sinking fund and other requirements over the next five years amount to approximately \$33.6 million in 1970, \$54.4 in 1971, \$25.5 in 1972, \$73.5 in 1973 and \$91.2 in 1974.

NOTES TO FINANCIAL STATEMENTS — in millions of Canadian dollars

6. CAPITAL STOCK

Preferred shares:

At the option of the Board of directors, preferred shares may be redeemed in whole or in part, at the following prices:

4% First preferred shares — on twenty days' notice at \$26.375 per share.

4½% Second preferred shares — on thirty days' notice (a) for other than sinking fund purposes at \$52.50 per share to 30 November 1970, decreasing by 25 cents per share each three years to 30 November 1976, and thereafter at \$51.75 per share, and (b) for sinking fund purposes, at \$51.50 per share.

Maximum annual sinking fund requirements for the retirement of the first and second preferred shares amount to \$1.5 million through 1971 and \$2.7 million thereafter. The 1970 requirements and substantially all of the 1971 requirements had been met as at 31 December 1969.

Common shares:

In December 1969 the Company issued to Alcan Aluminium Limited 200,000 common shares without nominal or par value in exchange for all the shares of Alcan Aluminum Corporation, which were valued at \$96 million and represented, for the most part, the capital contributions previously made by Alcan Aluminium Limited to Alcan Aluminum Corporation.

7. DIVIDEND RESTRICTIONS

Pursuant to the provisions of certain debt issues, \$153.2 million of retained earnings at 31 December 1969 is not distributable as dividends either in cash or in kind on the common shares of the Company.

8. COMMITMENTS

The Company or its subsidiaries have purchase agreements, tolling arrangements and long-term leases, including commitments for the charter hire of ships amounting to \$10.5 million in 1970, \$7.2 in 1971, \$5.0 in 1972, and lesser annual amounts up to 1978.

See also reference to capital expenditures in note 3 and debt repayments in note 5.

9. OTHER INCOME

	1969	1968
Income from time deposits	\$ 4.1	\$ 4.4
Gain on disposal of fixed assets	2.2	1.9
Gain on redemption of debt	.9	4.2
Other	1.5	1.9
	<u>\$ 8.7</u>	<u>\$12.4</u>

10. PENSION PLANS

The Company and its subsidiaries have established pension plans in the countries where they operate, for the greater part contributory and generally open to all employees. With respect to these plans, the Company and its subsidiaries incurred a pension expense of \$9.2 million in 1969 (\$10.0 in 1968). Assets in the pension funds are virtually in balance with the liabilities for pension benefits accrued to 31 December 1969.

11. STATUTORY INFORMATION

Total remuneration received by the directors of the Company (including the salaries of officers who are directors) amounted to \$228,808 in 1969 (\$177,700 in 1968).

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies

DIRECTORS

DANA T. BARTHOLOMEW — Executive Vice President, Finance, Alcan Aluminium Limited

J. W. CAMERON — Vice President

N. S. CRERAR — Vice President

DAVID M. CULVER — Executive Vice President, Fabricating and Sales, Alcan Aluminium Limited

HOLBROOK R. DAVIS — Chief Employee Relations Officer, Alcan Aluminium Limited

NATHANAEL V. DAVIS — President, Alcan Aluminium Limited

J. F. EVANS — Chief Administrative Officer, Alcan Aluminium Limited

J. F. HORWOOD — Chief Technical Officer, Alcan Aluminium Limited

PAUL LAROQUE — Secretary and Chief Legal Officer, Alcan Aluminium Limited

PAUL H. LEMAN — President

D. D. MACKAY — Executive Vice President, Raw Materials, Alcan Aluminium Limited

R. E. POWELL — Honorary Chairman

OFFICERS

PAUL H. LEMAN — President

CLAUDE P. BEAUBIEN — Vice President, Public Relations and Advertising

J. W. CAMERON — Vice President and Manager of Smelter Division

N. S. CRERAR — Vice President and Manager of Power and Manufacturing Services

D. W. EVANS — Vice President, Chemicals

H. S. LADD — Vice President, Personnel

M. WILLIAMSON — Vice President, Fabricating and Sales

F. C. WINSER — Vice President, Export Sales

E. H. EBERTS — Vice President and Secretary

WILLIAM J. REID — Vice President and Treasurer



ALUMINUM COMPANY OF CANADA, LTD
Montreal, Quebec, Canada